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Production Credit For Farmers and Ranchmen

Safest Credit Protection!

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Production Credit for Farmers and Ranchmen

by

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Farmers use three kinds of credit—Production Credit, Farm Mortgage Credit, and Consumption Credit. It is easy to define these various kinds of credit on paper but it is often difficult to make a sharp distinction under the actual conditions that prevail on farms.

Production Credit is used to finance the purchase of livestock, implements, feed, fertilizer, or to pay hired labor, cash rent, and meet other expenses of operating a farm. It is distinctly different from that needed to buy farms, to make permanent improvements (Land Mortgage Credit) or from that used to buy automobiles, radios, furs, and other luxuries, or to finance pleasure trips (Consumption Credit).

Considerable effort is being made to win for farm people greater economic security and a reasonable share of the comforts and conveniences that help make life more enjoyable. These efforts are materially raising rural standards of living. As a result some things that were classed as luxuries ten years ago are now recognized as necessities.

Changes in agriculture also enter the picture. Economists of the old school classify credit needed for farm living expenses as consumption credit, but the trend toward specialized farming has caused farmers to prefer to buy much of the food and feed that they might grow for themselves. No agency now furnishing production credit would question the use of a portion of the borrowed funds for meeting reasonable family living expenses but some of them, especially the nationally sponsored production credit corporations, insist that the borrower produce as much of the family living and feed for livestock as possible. It is recognized that the farmer who makes most of his living at home and raises plenty of feed is better able to pay his debts.

Is it Wise to Use Credit for Farming Purposes?

The final answer to this question must come from each individual farmer. Credit involves the responsibility of using the money of other people who expect to get it back with interest at a specified time. Regardless of where the funds are obtained, the lender or lending agency usually insists on knowing three things: That the borrower be honest and have a reputation for paying his debts; that some security be offered; that the borrower can make profitable use of the loan.

Sound credit is neither a gift nor a form of charity. Merely to be in need of money does not justify asking for a business loan. If a farmer can assure himself that he could use borrowed funds in such a way as to be able to return them with interest when due with a good chance of making a profit, he is probably justified in asking for credit.

Attitude Toward Credit Has Changed

We occasionally hear someone remark that this is an age of credit. It is interesting to trace in history the changing attitude of the public mind on this subject. The ancients called interest usury and the professional money lender was a social outcast. Under the stern Mosaic law, those who obtained financial assistance from their friends were required to repay through their own labor if they were unable to clear the debt with goods or money. Thus Solomon remarked (Prov. 22:7): "The borrower is servant to the lender." Evidently the laws of England in Shakespeare's time were less favorable to the creditor because he wrote:

> **"Neither a borrower nor a lender be**
> **For a loan oft loses both itself and friend**
> **And borrowing dulls the edge of husbandry."**

About two hundred years ago a French king said, "Credit supports agriculture as the rope supports the hanged."

Among the thrifty Puritans a man in debt had about the same social standing as a feeble-minded incompetent who was too weak to look out for himself. A century later Benjamin Franklin reminded the readers of Poor Richard's Almanac that "He that goes a-borrowing goes a-sorrowing." Early in the eighties Will Carleton wrote the lines:

> **"Worm or beetle, drought or tempest**
> **On a farmer's land may fall,**
> **But for first class ruination**
> **A mortgage beats 'em all."**

As long as farms were operated for the chief purpose of growing or making everything used in the family living, farmers dreaded debt because there was so little money with which to pay. With the development of transportation and markets for farm products, there also came a new attitude toward credit. The word "credit" came into use instead of "debt." Debt was no longer dishonorable. To be able to use other people's money with safety and profit is now regarded as admirable business ability. Relatively few farmers today are operating without using some form of credit. Many who have accumulated substantial fortunes continue to use credit because it permits them to operate on a larger scale than would otherwise be possible. Even the farmers who are entirely free of debt have frequent calls from their tenants for financial assistance. It is safe to say that credit in some form has a place on nearly every farm.

Dangers Lie in Unwise or Excessive Use of Credit

Credit when handled skillfully is a powerful instrument for good. If used improperly, it may lead the borrower to financial ruin. Marmon in "Principles of Rural Credit" says:

"A farmer with good credit may continue to borrow until he becomes bankrupt simply because he expends his borrowed funds for non-productive purposes. When the time comes for repayment, as it inevitably must, he may not have the money with which to repay the loan and the security for it has to be sold to make the loan good. If the farmer had not been able to borrow, he would, under these circumstances, have been better off financially. Many are deeply in debt because their credit has been so good."

Good Production Credit Has Certain Characteristics

The loan period should be suited to the product. Farm production loans should be adjusted to the growing period of the farmer's products. Loans for ordinary field crops might run for six or nine months. Loans for buying livestock to feed run for the feeding period. On the other hand, the purchase of work stock, dairy cows or stock cattle requires financing that extends over several years.

The money should be available when needed. Farmers use credit to enlarge their working capital. When it is necessary to borrow funds, they want the use of the loan immediately. Delays in getting the money may cause a crop to be planted too late or prevent field work from being done at a critical period. If the money is to be used for livestock, it should be available in sufficient amount when prices are right or the time for feeding arrives.

It should be available in sufficient amount. A farming schedule requires a definite amount of cash to operate. If the needed amount is not available, the entire farm plan may be upset.

There should be stability in the source. Farmers need credit during depressions as much as during good times. Factories or mills may close to wait for better times, but farms continue to operate. If a farmer is unable to get credit during hard times, he risks heavy losses.

Low cost is needed. Agriculture has been burdened with high cost credit. The cost of credit includes not only interest rate, but other costs that must be paid, such as bonuses, commissions, inspection fees and the like. It is well to remember, however, that the principal rather than interest is the most difficult part of a loan to pay.

The risk of losing collateral should be small. The value of the livestock, implements, or other property a farmer offers to secure a loan is often worth considerably more to him than the amount borrowed. Furthermore, the loss of his working capital leaves a farmer unable to operate. Honest men expect to pay their debts but they have just cause to avoid dealing with credit agencies that will close them out at the first opportunity.

Flexibility is desirable. It is very important to have enough flexibility in the line of credit to permit securing additional funds in case of emergency or to permit the farmer to take advantage of exceptional opportunities to make productive purchases at low prices.

Convenient sources make for better understanding. The source of credit should be near enough to permit occasional contacts between the borrower and the lending agency. Where the farmer can work out details of the loan in conference with the lender or his responsible representative, more satisfactory arrangements are possible than where the transaction is handled through correspondence.

Advance payment privilege is essential. An ideal farm loan permits payment and the stopping of interest whenever the farmer has the money. Farm receipts do not fit fixed calendar dates. If the farmer sells sooner than he had planned when the loan was made, he should have the privilege of saving interest charges by paying out before maturity.

The money should be available periodically. An ideal system of farm financing is based on the farm budget. All of the borrowed funds are seldom needed at once. The farmer therefore is losing on interest when the borrowed money is idle. Loans made on a budget basis charge interest only on the money the farmer actually needs from month to month.

The full amount should be available. A farmer has reason to object to the practice of deducting interest in advance. If he needs $300 for three months, he is usually asked to sign a note for $300 and gets use of only $294 if the interest rate is 8 per cent.

Build up a Credit Rating This Way

Since modern farming involves the use of considerable credit, it is important that farmers follow sound business methods in building up a good credit rating. A line of credit must be established before it can be drawn upon in time of need. Good credit is even more valuable than cash on hand because it protects one from the distress of financial paralysis in the event that the cash becomes depleted.

Owe as few persons as possible. Nothing hurts one's credit more than to allow numerous little bills or debts to go unpaid. It is much better to borrow enough from one source or combine the indebtedness to a few large accounts than to allow small bills to accumulate. Borrowing from more than one bank is more likely to hurt than to help the credit rating.

Keep promises faithfully. If the debt cannot be paid in full when due, it is better to go in a few days ahead of time to arrange for an extension on the part that must be carried longer. The man who has to be called or sent for destroys his own credit. Persons who try to avoid paying debts by taking advantage of some technicality are hopeless credit risks.

Make truthful statements to creditors. Misinformation as to the use of the credit or about the collateral offered is much like obtaining money under false pretenses. If lenders find that they cannot trust a borrower's statements, they have sufficient reason to lose faith in his promise to pay.

A well-balanced system of farming helps credit. The farmer who produces a large part of the family living at home, grows plenty of feed, and has more than one important source of farm income is in a stronger position to meet the hazards of flood, drouth, or low prices. A pantry filled with home canned foods, cribs full to the top, and the barnyard adorned with hay stacks, not only give the farmer confidence in himself but also convinces creditors of his thrift, industry and resourcefulness.

A bank account helps. Business-like farmers keep their money in the bank and pay by check. It is exceedingly dangerous to carry much money or to keep large sums hidden under the mattress.

Financial statements are enlightening. Every farmer who uses credit or who desires to find out how much he is getting ahead ought to learn to prepare accurate financial statements. Bank examiners require banks to show financial statements of borrowers indebted beyond a definite amount. Production Credit Associations require a financial statement on every loan they make. A few simple records make it possible to prepare an accurate financial statement at any time. The AAA Farm Record Book has a form of financial statement on its back page that can be kept by anyone who is able to read and write. A financial statement shows how much one is worth above his debts. By comparing net worth at the end of the year with net worth at the beginning of the year, one may easily determine whether he is making financial progress or falling behind.

Systematic farm records tell a farmer where his money comes from and where it goes. If one neglects to keep records until he is on the verge of bankruptcy, it may be too late to start. The AAA Record Book is good enough for a beginning and these may be had for the asking.

Signing notes to accommodate friends uses up one's credit without giving financial returns. If one has credit to spare, he had better make the loan himself and get the interest. To go on another's note causes one to assume a contingent liability that often becomes a burdensome obligation.

Save part of the income. Debts can only be paid through making an income and living on less. Increase of thrift is often more sure than increase of income as a means of getting out of debt and thus keeping the credit good.

Cleaning the slate at least once a year is one of the best ways to establish and keep a good credit rating.

Sound credit has four C's. The American Bankers' Association sets up as the foundation of sound credit—Character; Capacity or ability to earn; Capital; and Collateral. Banks and production credit associations have about the same attitude on the relative importance of these points. No worthy lending agency makes a loan for the deliberate purpose of taking the collateral. Collateral merely serves as insurance to protect those who actually own the money which is loaned.

These Are Important Sources of Production Credit

Local banks, production credit associations, private individuals, merchants or dealers and emergency crop and feed loan agencies are all sources of production credit.

Bank Credit

Commercial banks are the foundation on which our credit system has been built. Even merchants and landlords who assume the responsibility for furnishing seasonal credit find it necessary in turn to borrow heavily from their banks. Banking practice has been adjusted to short term credit. Sixty or ninety day loans suit the needs of merchants or manufacturers very well. Such lines of business have a rapid turn over and need large sums for short periods. In farming the turn over is very slow. A volume of sales equal to the farm capital is seldom made more often than once in three years and is usually once in five to eight years. Farmers therefore need longer terms than are customary for a city or town business. Furthermore, the bank's ability to loan depends largely upon its deposits and a short-term loan places the bank in better position to keep loans adjusted to meet farm needs. However dependence upon renewals frequently leaves the farmer in an unfavorable position should conditions force the bank to call its loans as they mature.

Many country banks have been too small to meet the farm credit needs of their territory. In times of depression, the "frozen assets" represented by the farm paper in their note cases frequently have limited their ability to function and many have consequently been forced to close.

Country bankers on the other hand have done much to build their communities. Many of the progressive developments in Texas agriculture owe success to the sympathy and support of country banks. Their officials in many cases own land or have been reared on successful farms and their advice and sound judgment on business matters helps many of their farmer customers toward financial independence. The modern farmer is a business man who keeps his money on deposit and pays by check. He needs the local bank and will continue to support it even if it is not always in a position to supply his credit needs.

A farmer's contacts with his local bank help both to become better acquainted and to establish friendly business relationships that may be mutually advantageous. The money that depositors place in their banks helps in community development and renders the national currency more elastic.

Establishing a checking account with a bank helps the farmer in many ways. For one thing in making loans banks usually give preference to their depositors. It provides a safe place for keeping money. Funds are kept in vaults amply insured against default, burglary or robbery. Banks which are members of the Federal Insurance Deposit Corporation have each individual account insured up to $5,000. Some banks are unable to qualify for membership. Depositors will do well to look for the DEPOSIT GUARANTEED which the law requires that every member bank display over windows where deposits are made.

It permits paying by check—thereby avoiding the risk of theft, robbery, or loss in carrying large sums of money on the person. Checks are of no value until signed. The bank assumes the risk for both signature and endorsement, and cooperates with the depositor in handling stop-payment notices. Paying by check saves time in waiting for change or getting a receipt. A cancelled check serves as a legal receipt. Enclosing a check for money to be sent by mail is much more convenient and less costly than getting a postal money order or sending currency by registered mail.

Using the bank simplifies farm record keeping. The deposit slips are made out in duplicate. In filling these it would be easy to indicate the sources of the money deposited. The depositor's copy would then show a dated day-book record of farm income. When a check is written, it is always a good business policy to indicate the purpose of the payment on the face. Large scale farmers and ranchmen often provide themselves with voucher checks on which there is a space to show the nature of the transaction in detail. With detailed deposit slips showing income received and cancelled checks showing expenditures, the farmer has before him all the data necessary for keeping an accurate financial record of the farm business. Some farmers and ranchmen make out income tax returns from their bank slips and cancelled checks.

A bank account gives one a degree of business standing. Business men have more confidence in persons who pay promptly by check. And it helps one to be able to give his bank as a reference when establishing business relations with strangers or in lining up credit for purchasing livestock, implements, and the like.

Banks also render a useful business service in supplying small change, cashing checks, collecting accounts through drafts, receiving rental and other payments, holding legal documents in escrow and the like.

Production Credit Associations

The Farm Credit Administration was the answer to the farmer's prayer for a government controlled system of farm credit. This organization gives general direction to the land bank, the production credit corporation, the intermediate credit bank, and the bank for cooperatives which have been set up in each of the 12 land bank districts. The Production Credit Corporation of Houston is the parent organization to the local production credit associations of Texas. At present there are 38 such associations through which 8,413 farmers and cattlemen of Texas borrowed $5,256,211 in 1934. It is estimated that at least 15,000 farmers and cattlemen will be served by these associations in 1935.

These associations do not loan government funds. They secure money by discounting borrowers' notes with the Federal Intermediate Credit Bank of Houston, which in turn gets its funds through the sale of debentures to the investing public. The local associations are farmer-controlled cooperative credit institutions. Since they must discount borrower's notes with the intermediate credit bank, all loans must be well secured, but the interest rate at the present time is only five per cent. There are small additional charges for making out the application, paying the inspection fee, checking mortgage records, and recording mortgages on collateral offered. The associations hope eventually to free Texas farmers from the excessive burdensomeness of their indebtedness by loaning money at low cost and by advising them on the proper use of credit. Members of these associations who keep their credit good will always be able to borrow through their associations at low interest rates during drouths or depressions as well as in normal times.

County agricultural agents will be able to direct applicants to the secretary of the local association or to his nearest representative.

Association loans are granted for producing crops, livestock, livestock products and for purchasing equipment. Printed circulars which may be secured through association representatives give full details.

F. C. A. Circular C defines eligibility this way:

> **"To be eligible for a loan, an applicant must be a farmer. The term 'farmer' includes an individual, partnership, or corporation engaged in the business of farming or of breeding, raising, or fattening livestock.**
>
> **"To be an eligible applicant, an individual must devote certain time and energy to the active management of the farming or livestock operations. The enterprise must be conducted so that he reaps the benefit of the operation if it is successful, and suffers the loss if it is a failure. He need not be principally engaged in farming nor reside on the place where the operations are carried on. Where a landlord is entitled only to a fixed return without regard to the success or failure of the farming operations, or where he does not rightfully exercise stubstantial direction and control in the management of such operations, the tenant, not the landlord, is considered the 'farmer'."**

An applicant must have a reputation for honesty.

He must be able to show how he will be able to repay the loan by indicating his production record in the past and what he proposes to produce this year. Farmers who produce a large share of their living at home usually have a better chance to qualify. The farmer who has kept accurate records of his production can give more accurate records of his repayment ability.

A mortgage is taken on all of the applicant's crop, livestock and implements. All such collateral is included in order that the association may be in a position to advance additional funds in case of emergency. Four-H Club members and students of vocational agriculture who are members of the Future Farmers of America may secure loans on personal note without collateral, if note is also signed by members of the group, parents of member, and a local leader or sponsor of the club, subject to other specified conditions.

Borrowers are required to purchase Class B stock in the local association equal to $5 par value for every $100 or part thereof he borrows. The farmer may purchase the stock with money borrowed from the association. The Class B stock is voting stock, thus placing the management of the association in the hands of borrowers. Regardless of the amount of Class B stock a borrower owns, it entitles him only to one vote.

The farmer does not have to purchase new stock each time he borrows unless the stock he owns has become impaired in value or he wishes a larger loan. With the approval of the directors, a farmer not indebted to the association may sell his Class B stock to another borrower or person eligible to become a borrower, or may exchange it at its fair book value for Class A (non-voting) stock. Such exchange must be made within two years after the holder of Class B stock ceases to borrow from the association.

Loans are made for periods up to one year. Livestock and equipment loans may be renewed.

The national Farm Credit Administration has issued a number of attractive publications which clearly explain every step that is necessary to make use of their credit facilities. These describe the plan of operation in greater detail than can be given here. Excellent suggestions for using farm credit efficiently are included. Anyone who is interested in the subject of Production Credit for Agriculture will do well to obtain those listed below, all of which are available from the secretaries of local associations or the Production Credit Corporation of Houston, Texas. Agricultural Credit through the F. C. A. in 1934; Your Source of Credit; Circular A—Three Steps to Production Credit; Circular C—Applying for Production Credit; Circular 12—Helping the Farmer Pay His Debts; Circular 3—Loans by Production Credit Associations; Circular D—Production Loans to Dairymen; Circular F—Loans for Crop Production.

Private Individuals

In well-developed and prosperous farming communities, there are usually some well-to-do farmers and other individuals who have money to invest. Such persons often finance the tenants on the farms they own and frequently make loans to their neighbors. The lender in such cases is usually familiar with the borrower's needs and his character and ability. Such persons are therefore in a position to make loans with comparative safety on reasonable terms. Most of these country money lenders are fine citizens who are interested in the betterment of their communities. They often start worthy young farmers on the way to financial independence. Where they are retired farmers who have made fortunes through shrewd business practices and economical living, they may be exacting in demands and thus acquire a local reputation of being hard to deal with.

Some communities also have their Shylocks—hard-hearted, merciless individuals who make a business of loaning money, "shaving" notes, or buying overdue accounts at heavy discount when they think they have a chance to collect. Such persons are feared rather than respected because they take a delight in closing out a hapless debtor or attaching his property if the law permits whenever such a course is to their financial advantage. They leave to others the difficult task of relieving the poverty and distress that may be caused by their harsh selfishness.

The lender invests his money in the community instead of taking it to some city or town, and is likely to keep interested in the general welfare of the rural community. When the right parties get together, very satisfactory and mutually profitable relationships may be developed.

Such financial backing on a desirable basis is usually limited to a few individuals in each community. It is not dependable in times of financial stress. And the interest rates are apt to be high.

Merchant Credit

Throughout the South, and particularly in the older portions, lack of adequate farm credit facilities has forced merchants and manufacturers to enter the credit field. Increasing competition of cash stores made possible by the building of good roads, the trend toward cooperative buying at wholesale prices by groups of farmers, and the extremely heavy losses on bad debts during the depression have tended to reduce the number of credit merchants who furnish farmers on fall time. However, since hundreds of farmers still look to credit merchants to see them through, the advantages and disadvantages of such a credit system deserve thoughtful consideration.

The charge account is usually established with some local merchant where the farmer and members of his family, or tenants who are being furnished, can go at any time. Old customers who have always been furnished through the store often do not care to go to the bother of changing to the "newfangled" but more efficient ways of production credit.

Merchants may grant credit when others refuse. Some farmers who are fair credit risks are not known at the banks or they may lack the type of collateral that banks or production credit associations require. Merchants often take greater chances on credit risks than specialized credit agencies are willing to assume. This is perhaps due to the fact that (1) the merchants collect more in profits on goods sold plus interest on account than others charge in interest, (2) competition may cause him to take long chances in order to hold his trade, (3) he may be intimately acquainted with the applicant and be keeping closely in touch with his affairs or, (4) some merchants have an abiding faith in the customer's loyalty and gratitude.

Many credit merchants help those they furnish by refusing to allow charge purchases of an unproductive character. They may refuse to sell on account gasoline or automobile accessories to improvident time customers and urge them instead to buy needed implements, work clothing or seed for feed or food crops. A merchant is in a position to exercise closer control over the actual use of credit than any other credit agency.

Investigators have concluded that store credit costs about three times as much as bank credit. Occasionally a credit merchant sells to credit customers at higher prices than to cash customers. When such is the case, the creditor may be actually paying 40 per cent or more on an annual basis. If interest is charged, it is usually figured from the date arrangements are made and on the full amount of the credit that is established. Merchants are forced to charge more for credit than banks because they take more risk and if they continue in business, those who pay will have to offset the losses from those who do not pay. Furthermore the credit merchant often has to borrow from banks in order to carry his credit customers. Buying credit from a store is like going to the drug store for a plow. The druggist might be persuaded to sell the plow but he would probably have to pay the retail price at the hardware store then add something for his trouble in handling it. Since the cost of handling credit costs the merchant more than it costs a bank, he naturally charges more for such service.

There is a limited bargaining opportunity. The farmer who has tied himself to a credit merchant cannot shop around. If he had the money, he might buy corn or other feed in the fall when it was cheap. Also the farmer is often required to let the merchant sell his cotton or other products. Thus store credit may limit the farmer both in buying and selling.

It may encourage thriftless purchasing. A family that has the privilege of an unrestricted charge account is constantly under temptation to buy things that they might do without. However credit merchants in most cases now keep a close check on the charge account customers and apply the brakes when necessary.

It limits opportunity to buy for productive purposes. If the farmer wishes to buy cows, hogs, poultry, or even a badly needed implement, he is likely to have considerable difficulty in arranging to finance such purchases through a credit merchant.

Some writers* believe that the time-prices credit system has tended to keep the South poor and backward in comparison with other agricultural regions that have fewer natural advantages. The old system was probably guilty of all of the charges made against it. Its critics should remember that it developed during a period when no other source of credit was available. Courts of law dismiss the charges against the dead—the court of public opinion might as well dismiss its charges against a dying institution. Only a small percentage of Texas merchants now encourage a fall-time credit business. Most of the business of this type that they carry on their books is taken under protest through insistent if not pathetic pleas for such accomodation. The two-price system (cash and credit) has practically gone out of use. Farmers of good credit rating often buy on thirty days time because it is more convenient to pay with one check at the end of the month than to write a check or wait for change on every purchase but the price is the same whether cash on the counter or pay at the end of the month. Those who are given fall time credit are usually asked to pay interest, but they seldom have to pay higher than cash prices for the things they buy. Like the grain cradle, the broad-ax, or the frow, the time-prices credit system will soon be a curious relic of the past. Those who have never seen these devices in use may never fully understand just how they worked or appreciate the service they once rendered when there was nothing better to take their place.

Selling on the installment plan developed to a remarkable degree in the decade following the close of the World War. Some authorities believe that the enormous expansion of selling on deferred payments played an important part in causing the depression. According to advertisements in city newspapers, a wide variety of articles for personal use ranging from false teeth to diamond rings may be purchased on weekly or monthly payments. Most automobiles are sold on this plan. It is a form of credit that is better suited to steadily employed wage workers or salaried people than to farmers. Few farmers receive a definite in-

***See Clarence Poe's article "How Can We Escape Time-Prices Usury?" in Progressive Farmer January 19, 1929. Texas Extension Service Bulletin 34 "Farming Credit in Texas" (1917). Louis H. Haney "Store Credit in the South" Am. Eco. Rev. (March 1914)**

come from month to month throughout the year. In most cases farmers are short of cash during the spring and summer months and installment payments at such periods are apt to be burdensome if not embarassing.

While installment credit is a special form of merchandise credit, it is even worse than ordinary store credit for farm people. Its cost frequently amounts to more than twice the ordinary rate of interest on the cash price of the article. According to the usual terms of sale, the purchaser does not have title to the article until the final payment is made. Failure to meet installments may cause him to lose the article purchased as well as all that has been paid. Another objection is that the so-called easy payment plan is used as a bait to persuade people to buy things they cannot afford. When a farmer is convinced that he needs an article offered on the installment plan, he will save money in the long run to pay cash even if part of the necessary funds will have to be borrowed from a bank or some other source.

About all that can be said in favor of this plan of buying is that it permits one who has a limited amount of cash to get the immediate use of an article by making a small down payment, then retiring the balance of the cost price plus carrying charges in equal installments at definite intervals as the money is earned over a considerable length of time.

Emergency Credit

For several years, government funds have been loaned to insolvent farmers in limited amounts. The government has made these loans as a temporary emergency relief measure. The applicant to be eligible must show that he is unable to get credit from any other source. Since the plan of administering emergency loans has been changed so frequently, no one is now in a position to say how they will be handled in the future. It is evident that the government desires to discontinue this type of credit as soon as possible. Those who are in need of emergency credit can get detailed information from their county agricultural agent or the county relief office.

Some Unsolved Farm Credit Problems

Sound agricultural credit is based on ability of the borrower to use the borrowed funds profitably, to earn a sufficient amount above living expenses, to give reasonable assurance that the obligation can be met, and to be able to offer collateral. What is to be done about credit for the worn-out farmer or worn-out land? What credit facilities should be developed to serve those who are trying to develop farms on poor, cut-over timber land? What credit support ought to be given to the so-called "shoe-string farmer" who starts out with little more than courage and determination? Can any agency be developed to meet the desperate credit needs of those who push out far beyond the fringe of dependable farming areas, along the rim of the never-sure, sandstorm or drouth too often leaves the toiler broken and helpless.

Government emergency credit is now caring for thousands of such cases. Should credit of this character be placed on a permanent basis? If the Government continues to make character loans without collateral, how much supervision should be given to the farming operations of such borrowers? These are the great unanswered questions of agricultural production credit. In arriving at the final answer, land policy must be weighed against the human factor. Public opinion must eventually help shape a permanent policy on this unsolved problem of farm credit.

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